

6. A final condition admonishes us that under no circumstances should a sinking fund, or any portion of it, be diverted from its express purpose either by utilisation for alien needs, however urgent, or by intermission of the devotion of the regular and necessary instalments to the design in view.

Where it is difficult or impracticable for the investor to create a sinking fund himself, this duty can be assigned to an assurance company, whose continual practice and facility of investing enable it to afford the investor the benefit of genuine compound interest.

The sinking funds adopted for the reduction of our National Debt exhibit a somewhat different form and are worth a brief recital. Their nature and object are of course identical with those of a sinking fund constructed in the customary way. Beyond the mournful statement that our egregious debt is virtually the accumulated cost of war, nothing further needs here to be added upon its origin and history. Originally it was the practice of the Government to pledge specific taxes as the security for payment of interest, and the redemption of principal in respect of borrowed moneys. Thus, in 1692, when new duties on beer and other liquors were imposed, it was ordered that the receipts from those duties should be retained in a separate account as an express and hypothecated fund or security for raising a loan. But Governments in periods of stress often act like other spendthrifts, and become as careless of engagements as the prodigal: the notion of repayment speedily vanished, interest alone being provided—and the principal was treated as a permanent liability. A more scrupulous attention, however, gradually arose to the interests of the nation, for nations, like parents, should act as trustees for their progeny—particularly where the material sources of revenue, from natural exhaustion, become slowly reduced.

In 1723 Sir Robert "Walpole established a sinking fund in the form of allotting a sum of money every year derived from the national revenue, and accumulating it at compound interest; and thus, when the

fund had attained to the dimension of the debt, an instantaneous redemption would occur, and fund and debt be simultaneously extinguished.